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Report to the Legislature

DEPARTMENT OF INSTITUTIONS

MONTANA STATE HOSPITAL

Report on the Examination of Financial Schedules  
for the Two Fiscal Years Ended June 30, 1984

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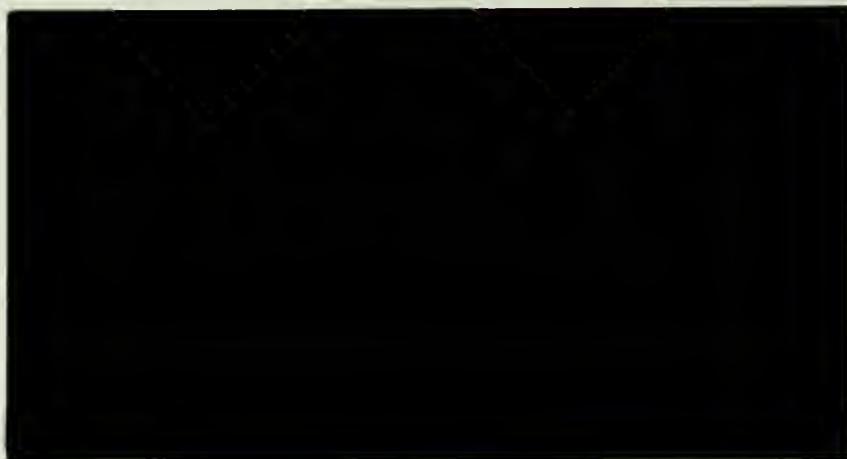
OFFICE OF THE LEGISLATIVE AUDITOR

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STATE OF MONTANA  
Report to the Legislature  
DEPARTMENT OF INSTITUTIONS  
MONTANA STATE HOSPITAL

Report on the Examination of Financial Schedules  
for the Two Fiscal Years Ended June 30, 1984



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ADMINISTRATIVE OFFICIALS

DEPARTMENT OF INSTITUTIONS

Carroll South Director

Curt Chisholm Deputy Director

MONTANA STATE HOSPITAL

Thomas V. Sellars Chief Executive Officer

Keith Wilson Director of Business Services

## SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's response.

	<u>Page</u>
<b><u>Recommendation #1</u></b>	
The Department of Institutions:	
A. Accrue only valid obligations in compliance with state policy.	4
Department Response: Concur. See page 31.	
B. Notify its attached agencies of the invalid accruals.	4
Department Response: Partially concur. See page 31.	
C. Ensure that each of the institutions corrects its accounting records.	4
Department Response: Partially concur. See page 31.	
D. Comply with the appropriation process by requesting the Legislature to grant necessary spending authority.	4
Department Response: Partially concur. See page 31.	
The Montana State Hospital:	
A. Accrue only valid obligations in compliance with state policy.	4
Department Response: Concur. See page 31.	
B. Not spend the amounts accrued in fiscal year 1984 for the SDB contract.	4
Department Response: Do not concur. See page 31.	
<b><u>Recommendation #2</u></b>	
The hospital:	
A. Refund the excess per diem charges collected to the patients and insurance companies based on the correct revised per diem rate charges.	7
Department Response: Concur. See page 32.	

## SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
B. Provide an independent review of the annual per diem calculations.	7
Department Response: Concur. See page 32.	
<b><u>Recommendation #3</u></b>	
The hospital and Department of Institutions establish procedures to enable timely updating of drug prices on the department's drug table file.	7
Department Response: Concur. See page 32.	
<b><u>Recommendation #4</u></b>	
The hospital's reconciliation of drug machine transactions include resolution of any exceptions noted.	8
Department Response: Concur. See page 32.	
<b><u>Recommendation #5</u></b>	
The hospital limit lease agreements to a maximum of three years to comply with state law.	9
Department Response: Concur. See page 33.	
<b><u>Recommendation #6</u></b>	
The hospital record donations in the proper fund in the state treasury.	9
Department Response: Concur. See page 33.	
<b><u>Recommendation #7</u></b>	
The hospital review the drug regimen for each patient in accordance with state law and include written documentation of the review in the patient's file.	10
Department Response: Concur. See page 33.	

## SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
<u>Recommendation #8</u>	
The Department of Institutions establish a definitive interpretation of the average daily population at Montana State Hospital and include it in the department's policy manual.	11
Department Response: Concur. See page 33.	
<u>Recommendation #9</u>	
The hospital ensure handicapped child counts include only those children eligible under program regulations.	13
Department Response: Concur. See page 34.	

## INTRODUCTION

We performed a financial-compliance audit of the Montana State Hospital for the two fiscal years ended June 30, 1984. The audit objectives were to: 1) determine if the financial schedules present fairly the results of operations of the hospital for the two fiscal years ended June 30, 1984; 2) determine hospital compliance with applicable laws and regulations; and 3) recommend improvements in the management and internal controls of the hospital.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in the report. Each report section discloses the cost, if significant, of implementing the recommendation.

We thank the Montana State Hospital chief executive officer and his staff for their assistance.

## BACKGROUND

Montana State Hospital, formerly known as Warm Springs and Galen State Hospitals, is an institution under the direction of the Department of Institutions. Although the administrative functions of the Warm Springs and Galen campuses have been consolidated, each hospital still maintains individual treatment units to meet the differing needs of its patients.

### Warm Springs Campus

The primary purpose of the facilities at Warm Springs is to provide evaluation and psychiatric treatment for persons who are mentally ill. Warm Springs has 407 beds. Sixty beds are licensed for nursing home care by the Montana Department of Health and Environmental Sciences. Following is a breakdown of the campus' average occupancy by unit during fiscal year 1984:

<u>Unit</u>	<u>Average Beds Occupied Fiscal Year 1984</u>	<u>Beds Available</u>	<u>Average Occupancy Percentage</u>
Intake	15.17	24	63%
Intensive Treatment	51.48	66	78%
Extended Treatment	97.44	105	93%
Pre-Release (includes Pintlar Lodge)	28.11	47	60%
Long-Term Geriatric	51.70	60	86%
Forensic	69.45	75	93%
Children's*	27.48	30	92%
<b>Total</b>	<b><u>340.83</u></b>	<b><u>407</u></b>	<b><u>84%</u></b>

\*The children's unit is scheduled to move to the Montana Youth Treatment Center in Billings in fiscal year 1985.

The Warm Springs campus was authorized 534.07 FTE (full-time equivalents) in fiscal year 1984. At June 30, 1984, 510 of the positions were filled.

#### Galen Campus

The facilities at Galen provide treatment to persons suffering from alcohol and/or drug dependencies. The hospital also treats patients with tuberculosis or silicosis and is licensed to provide acute hospital and intermediate nursing care. The following table illustrates the hospital's average occupancy during the period under audit.

<u>Type of Care</u>	<u>Fiscal Year 1983</u>	<u>Fiscal Year 1984</u>
Acute Care	60%	53%
Intermediate Care	73%	72%
Alcohol Treatment	76%	86%
Drug Treatment	71%	76%

The Galen campus was authorized 221.53 FTE in fiscal year 1984. At June 30, 1984, 218 of these positions were filled.

## EXPENDITURE ACCRUAL

At the end of fiscal year 1983-84, the Department of Institutions accrued expenditures of \$38,100 for computer services and equipment. In addition, the department instructed ten institutions, including the Montana State Hospital, to accrue expenditures of \$10,000 each for computer equipment. These accruals were based on a \$138,100 service agreement between the Systems Development Bureau of the Department of Administration (SDB) and the Department of Institutions.

The service agreement between SDB and the department states that the agreement is subject to cancellation at any time and, before any services are rendered, the agreement will have to be revised to identify specific responsibilities, tasks, and deliverables. No specific services are identified in the agreement. Through this service agreement the department and the ten institutions have improperly accrued remaining budget authority based on unspecified services.

Department and individual institution officials have stated this accrual includes the purchase of equipment. Section 2-1420.33 of the Montana Operations Manual (MOMs) states that before expenditures for the purchase of equipment are accrued,

"A purchase order, creating a valid obligation to purchase equipment must be issued ..."

At the time of the accrual, neither the department nor any of the individual institutions were under any obligation to purchase any equipment. The agreement with SDB did not identify specific equipment, nor were any purchase orders issued. In addition, the Systems Development Bureau does not sell data processing equipment, it provides systems development services.

MOMs section 2-1420.32 states that;

"As a general rule, services must have been rendered during the fiscal year in which the anticipated expenditure is to be accrued." This section further states that "Valid written interagency or intra-agency service agreements for systems development shall be encumbered for payment thereof at the end of each fiscal year."

The agreement with SDB is not a valid agreement. The agreement can be cancelled at any time and no specific services are discussed in the agreement.

The Department of Institutions and the ten individual institutions involved have circumvented the appropriation process by entering into a generic agreement in order to accrue expenditures and thereby extend appropriation authority to a future fiscal year.

If it was not possible for the department to identify its specific computer and systems development needs by fiscal year-end, the department should have requested appropriation authority to develop the needed system in subsequent fiscal years. By accruing the expenditures described above, the department, and the individual institutions have violated state accounting policy.

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT OF INSTITUTIONS:

- A. ACCRUE ONLY VALID OBLIGATIONS IN COMPLIANCE WITH STATE POLICY.
- B. NOTIFY ITS ATTACHED AGENCIES OF THE INVALID ACCRUALS.
- C. ENSURE THAT EACH OF THE INSTITUTIONS CORRECTS ITS ACCOUNTING RECORDS.
- D. COMPLY WITH THE APPROPRIATION PROCESS BY REQUESTING THE LEGISLATURE TO GRANT NECESSARY SPENDING AUTHORITY.

WE RECOMMEND THE MONTANA STATE HOSPITAL:

- A. ACCRUE ONLY VALID OBLIGATIONS IN COMPLIANCE WITH STATE POLICY.
- B. NOT SPEND THE AMOUNTS ACCRUED IN FISCAL YEAR 1984 FOR THE SDB CONTRACT.

## REIMBURSEMENTS

### Background

The Department of Institutions collects and processes payments for the care of Montana State Hospital patients. The patients are billed based on their ability to pay. Charges are classified in two major categories; per diem and ancillary services. Ancillary services are direct resident services such as x-rays, lab tests, physical therapy, drugs and medical supplies, etc. Per diem is the gross daily cost of operating the institution as budgeted, excluding costs associated with educational programs, federal grants, and ancillary services. According to state law, per diem rates are calculated by the hospital each year based on the budgeted costs of operating the institution for that year. Rates vary depending on the level of care. The following report section discusses problems with the per diem calculations for the two fiscal years audited.

### Per Diem Calculations

As noted above, per diem rates are calculated on gross costs as budgeted. Costs relating to ancillary services should not be included in the calculations. During fiscal year 1984, the Department of Institutions, Central Office, discovered the hospital's per diem rates in fiscal years 1982, 1983, and 1984 were incorrect due to the inclusion of ancillary costs in the original per diem calculations. The hospital has calculated revised per diem rates and the Department of Institutions is determining the effect of the overbillings. The department will have to refund a portion of the per diem charges collected from self-paying patients or patients' insurance companies. The dollar amount to be refunded has not been determined by the department as of March 1985.

We performed an analysis of the original and revised per diem rates to determine the magnitude of the error. The following table shows the range of the misstatements for levels of care (the misstatements varied for each level of care).

TABLE 1

Range of Misstatement for Levels of Care

	<u>Per Diem</u> <u>Misstatement</u>
<u>Warm Springs</u>	
FY 82	\$5.31 - \$ 7.65
FY 83	\$4.25 - \$ 7.93
FY 84 (July - February)	\$ .66 - \$20.42
<u>Galen</u>	
FY 82	\$ .35 - \$ 3.60
FY 83	\$ .44 - \$ 3.63
FY 84 (July - February)	\$9.31 - \$18.70

Source: Compiled by the Office of the Legislative Auditor

In addition to the above errors, we noted two other errors made in the calculation of the per diem rates. One error was the inclusion of \$31,490 of dietary costs reimbursed from the federal school foods grant in determining the fiscal year 1983 per diem calculation. This error did not have a material effect on the rates. Another error was made in allocating the fiscal year 1981 depreciation expense into the revised fiscal year 1983 rate calculations. The amount used was \$200,000 greater than actual depreciation expense and resulted in an overstatement of per diem rates of 1.44 percent.

According to hospital officials, the errors occurred from misunderstanding of what should and should not be included in the rate calculations and human errors in the process of computing the rates. A review of the per diem calculations is not performed by another individual. Such a review should be done to verify per diem rates are calculated in compliance with state law and calculations are mathematically accurate.

### RECOMMENDATION #2

WE RECOMMEND THE HOSPITAL:

- A. REFUND THE EXCESS PER DIEM CHARGES COLLECTED TO THE PATIENTS AND INSURANCE COMPANIES BASED ON THE CORRECT REVISED PER DIEM RATE CHARGES.
- B. PROVIDE AN INDEPENDENT REVIEW OF THE ANNUAL PER DIEM CALCULATIONS.

### Drug Charges

We compared a sample of twenty charges for drugs on resident statements to drug purchase invoices to determine the reasonableness of the drug charges. In fourteen of the charges tested, the price charged did not agree to the invoice price most recently preceding the date the drug was administered. Twelve patients were undercharged and two patients were overcharged. The errors ranged from a \$3.21/unit undercharge to a 36¢/unit overcharge.

Drug charges are based on a computerized table file maintained by the Department of Institutions. The table file is updated based on price change information received from the pharmacy at the hospital. The pharmacy staff stated a weekly update of drug prices, which would be preferable to them, is not possible because of the number of staff. They currently provide such information on a monthly basis. The hospital staff estimates a weekly update would require approximately four additional man hours per month.

Our prior audit recommended that the Department of Institutions establish procedures to ensure the hospital reports all medical services on a timely basis.

### RECOMMENDATION #3

WE RECOMMEND THE HOSPITAL AND DEPARTMENT OF INSTITUTIONS ESTABLISH PROCEDURES TO ENABLE TIMELY UPDATING OF DRUG PRICES ON THE DEPARTMENT'S DRUG TABLE FILE.

## Drug Machine Reconciliations

The hospital units at Warm Springs dispense nonnarcotic floor stock drugs from drug machines. Whenever a drug is dispensed, the machine records the transaction on an internal tape. A drug receipt is produced which identifies the patient, his ward, and the type and dosage of the drug. In our previous audit, we noted the machines were susceptible to abuse as no reconciliation of the drug receipts to the internal tape was performed. During this audit we noted the hospital does reconcile the receipts to the tape for each machine. However, reconciliation discrepancies are not followed up. Because discrepancies are not followed up, the machines are still susceptible to abuse. The drugs dispensed are only billed from the drug receipts, not the machine tape. Therefore, the drugs dispensed with no reconciling receipt will not be billed.

Hospital officials cited the staff level of the pharmacy as the reason reconciliation exceptions are not resolved. They estimated following up on discrepancies would require between 23-30 additional hours per month, or approximately .15 FTE.

### RECOMMENDATION #4

WE RECOMMEND THE HOSPITAL'S RECONCILIATION OF DRUG MACHINE TRANSACTIONS INCLUDE RESOLUTION OF ANY EXCEPTIONS NOTED.

## STATE COMPLIANCE

We reviewed compliance with state laws that could have a material impact on the financial schedules of the hospital. In our opinion, except for the instances of noncompliance described in the following sections, MSH complied with the terms and provisions of laws and regulations for the transactions tested. Nothing came to our attention in connection with our examination that causes us to believe MSH was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

## Lease Agreement

We observed a lease agreement between Montana State Hospital and an electronics shop for the rental of television sets. The lease term is for a period of five years, which is in excess of the maximum contract term allowed by section 18-4-313, MCA. Three years is the maximum period of time allowed.

### RECOMMENDATION #5

WE RECOMMEND THE HOSPITAL LIMIT LEASE AGREEMENTS TO A MAXIMUM OF THREE YEARS TO COMPLY WITH STATE LAW.

## Donations

We noted in the two previous audits of the hospital that donations are improperly deposited in the Agency Fund. Because the Agency Fund is nonbudgeted and requires no appropriation authority to spend moneys, the hospital's placement of donations in this fund circumvents the appropriation process. The placement of donations in the Special Revenue Fund is required by state law and supported by an Attorney General's opinion. Because donations are used for the operation of the hospital, the hospital should budget donations and obtain spending authority.

In response to our recommendation in the previous audit, hospital officials submitted a budget amendment to the Office of Budget and Program Planning (OBPP) to obtain spending authority for donations. The request was denied by OBPP. Hospital officials have included a request for spending authority for donations in their budget for the 1987 biennium.

The misstatements from accounting for these donations in the wrong fund are outlined in Note 8 to the financial schedules.

### RECOMMENDATION #6

WE RECOMMEND THE HOSPITAL RECORD DONATIONS IN THE PROPER FUND IN THE STATE TREASURY.

## Drug Regimen Review

Montana State Hospital is required by state law to review the drug regimen of each patient at least weekly. Through discussion with a hospital official and review of patient files, we determined the hospital does not comply with this state law. The hospital official stated long-term geriatric patients' drug regimens are reviewed monthly. These patients usually have a stable medication pattern and therefore the regimen is not reviewed by a physician as often as the law requires. The official also stated these patients are constantly watched by nurses for any changes that would necessitate a more frequent regimen review by the attending physician.

The lack of a weekly review for some patients as required by state law subjects the hospital to potential liability for negligent care of a patient should an error or accident occur in a patient's medication. If a weekly review of all patients is too restrictive to normal hospital procedures, the hospital should seek to have the current state law amended.

### RECOMMENDATION #7

WE RECOMMEND THE HOSPITAL REVIEW THE DRUG REGIMENT FOR EACH PATIENT IN ACCORDANCE WITH STATE LAW AND INCLUDE WRITTEN DOCUMENTATION OF THE REVIEW IN THE PATIENT'S FILE.

## Average Daily Population

The general appropriations bill (House Bill 447) for the biennium ending June 30, 1985 includes restrictive language applicable to Montana State Hospital's fiscal year 1984 appropriation. The language requires a proportionate reversion of appropriation should the hospital's average daily population be less than 350 patients. We attempted to review the hospital's compliance with the house bill language as part of our audit. We could not

audit compliance with the house bill as a standard definition of the term "average daily population" does not exist.

We found the hospital calculated the average daily population including patients on the campus and any patients on 30-day leave or less. Categories of leave include home visits, court custody, escape days, and patients temporarily in Galen's acute care facility.

We contacted an official at the Office of Budget and Program Planning to determine their interpretation of the average daily population. The official said that only patients physically present on campus should be included in the average daily population calculation.

The interpretation of the term "average daily population" is critical because a reversion would be necessary had the hospital made their calculations using the more restrictive interpretation. We did not calculate the amount that would have been reverted in this case.

Because of the ambiguity of what the average daily population entails, we could not audit to determine if a reversion was necessary. The calculation should be defined in the Department of Institution's policy manual. With a single definitive interpretation, future funding decisions made that are based on the hospital's average daily population will be more meaningful.

#### RECOMMENDATION #8

WE RECOMMEND THE DEPARTMENT OF INSTITUTIONS ESTABLISH A DEFINITIVE INTERPRETATION OF THE AVERAGE DAILY POPULATION AT MONTANA STATE HOSPITAL AND INCLUDE IT IN THE DEPARTMENT'S POLICY MANUAL.

#### FEDERAL COMPLIANCE

Our audit of federal moneys was performed in accordance with the requirements in the U.S. Office of Management and Budget "Circular A-102, Attachment P." This circular provides for

independent audits of financial operations, including compliance with certain federal laws and regulations.

Montana State Hospital received funds as a subgrantee of the Montana Office of Public Instruction (OPI). The hospital's subgrants were from the School Lunch, Title I, and Title IV federal programs. We reviewed major compliance areas for the grants. Areas reviewed include specific grant provisions, cost allowability, and eligibility of participants.

It is our opinion that the problem we found did not significantly affect the successful operation of the programs. It is our opinion the problem did significantly affect the allowability of costs in conformity with program regulations. Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations.

#### Title I and Title IV Child Counts

We noted errors in the handicapped child counts conducted to determine the funding under the Title I and Title IV programs. In order to be counted, children must have been enrolled in the hospital for nine months previous to the date of the count. We noted four of ten children tested from the count sheets that did not meet this eligibility criterion.

We found similar errors in the handicapped child counts in our previous audit. The errors were repeated because the counts conducted to determine funding for this audit period had already been done before our previous audit was performed. Hospital officials have stated the counts conducted since our last audit have included the proper eligibility criteria.

The hospital expended \$24,807 and \$29,687 for Title I and \$509 and \$446 for Title IV in fiscal years 1983 and 1984, respectively. Because of the child count errors we noted, we question the allowability of these costs.

RECOMMENDATION #9

WE RECOMMEND THE HOSPITAL ENSURE HANDICAPPED CHILD COUNTS INCLUDE ONLY THOSE CHILDREN ELIGIBLE UNDER PROGRAM REGULATIONS.

INTERNAL CONTROL

We have examined the financial schedules of the Montana State Hospital for the two fiscal years ended June 30, 1984. We issued our opinion dated December 14, 1984 on these schedules. As part of our examination, we made a study and evaluation of the hospital's system of control. Our study evaluated the system as required by generally accepted governmental auditing standards for financial-compliance audits. We classified the controls in the following categories: 1) expenditures; 2) revenue; 3) patient accounts; 4) cash; 5) payroll; 6) property, plant, and equipment; and 7) grants.

We evaluated controls over expenditures, revenue, patient accounts, payroll, and grants. Through our study, we determined the nature, timing, and extent of our audit procedures. We applied alternative audit tests to cash and property, plant, and equipment because the audit could be performed more efficiently by expanding substantive audit work. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the Montana State Hospital is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: 1) assets are safeguarded against loss from unauthorized use or disposition; 2) transactions are executed in accordance with management's authorization; and 3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The

current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Montana State Hospital.

The preceding four paragraphs are intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

#### PRIOR AUDIT RECOMMENDATIONS

Our previous audit of Montana State Hospital, for the two fiscal years ended June 30, 1982, contained 40 individual recommendations. Of the 39 recommendations still applicable to the hospital, 29 have been implemented, 6 have been partially implemented, and 4 have not been implemented.

Discussion of recommendations the hospital has not implemented regarding drug charges, drug machine reconciliations, donations, and handicapped child counts, are discussed on pages 7, 8, 9, and 12 of the report. The remaining recommendations not fully implemented have been discussed with management.

AUDITOR'S REPORT  
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

## SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented. We issued an adverse opinion on the Schedule of Additions and Deductions to Agency Fund Assets for both fiscal years audited. The reader should not place reliance on the amounts presented in this schedule. Note 8 to the financial schedules details the misstatements in this schedule. We issued a qualified opinion on other schedules in the report. The schedules and funds affected are listed in the seventh paragraph of the auditor's opinion on page 17. These schedules are misstated due to problems in the timing of recognizing revenue. The reader should use caution when using financial information in these schedules. Finally, we issued an unqualified opinion on the schedules and funds listed in paragraph eight of the auditor's opinion on pages 17 and 18. The reader may rely on the fairness of the amounts presented in these schedules when analyzing the hospital's operations.

## Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLET  
FINANCIAL/COMPLIANCE AUDITS  
SCOTT A. SEACAT  
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL

JOHN W. NORTHEY



ROBERT R. RINGWOOD  
LEGISLATIVE AUDITOR

The Legislative Audit Committee  
of the Montana State Legislature:

We have examined the Schedule of Changes in Fund Balance; the Schedule of Revenue - Estimate and Actual; the Schedule of Program Expenditures by Fund - Budget and Actual; the Schedule of Program Expenditures by Object; and the Schedule of Additions and Deductions to Agency Fund Assets of the various funds of the Montana State Hospital (MSH) for each of the fiscal years ending June 30, 1983 and 1984. Our examination was made in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the hospital's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

The Department of Institutions recorded a prior year revenue transaction of \$187,607 as current year activity in fiscal year 1983. As a result of this error, fiscal year 1982-83 prior year revenue adjustments is understated \$187,607 and revenue is overstated \$187,607 in the General Fund.

MSH accounted for private donations in the Agency Fund. According to state accounting policy, these donations should be accounted for in the Special Revenue Fund. The misstatements are described in Note 8.

The hospital recorded a prior year expenditure adjustment in fiscal year 1982-83 rather than a fiscal year 1982-83 expenditure for purchases approved in 1983. This over(under)stated prior year expenditure adjustments and expenditures, respectively of \$22,326 in the General Fund in fiscal year 1982-83.

In our opinion, because of the effect of the item discussed in paragraph four, the Schedule of Additions and Deductions to Agency Fund Assets does not present fairly the results of operation and the changes in fund balance of the Agency Fund of the Montana State Hospital for the two fiscal years ended June 30, 1984 in conformity with the basis of accounting described in Note 1.

In our opinion, except for the effects of the errors noted in paragraphs three through five, the financial schedules listed below present fairly the results of operations and the changes in fund balance of such funds of the Montana State Hospital for the two fiscal years ended June 30, 1984, in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

<u>Schedule Name</u>	<u>Fund</u>	<u>Fiscal Year</u>
Schedule of Changes in Fund Balance	General	Two Fiscal Years Ended June 30, 1984
	Special Revenue	Two Fiscal Years Ended June 30, 1984
Schedule of Revenue Estimate and Actual	General	1983
	Special Revenue	1983, 1984

In our opinion, the financial schedules listed below present fairly the results of operations and the changes in fund balance of such funds of the Montana State Hospital for the two fiscal years ended June 30, 1984, in conformity with the basis of accounting described in Note 1, which except for the change, with which we concur, in the reporting format as described in Note 7, has been applied on a consistent basis.

<u>Schedule Name</u>	<u>Fund</u>	<u>Fiscal Year</u>
Schedule of Revenue Estimate and Actual	General	1984
Schedule of Program Expenditures by Fund - Budget and Actual	General	1983, 1984
	Special Revenue	1983, 1984
Schedule of Program Expenditures by Object	1983, 1984	

Our examination was made for the purpose of forming an opinion on the financial schedules referred to in paragraph one. The accompanying Schedule of Federal Grant Receipts and Disbursements is presented for additional analysis and disclosure purposes. The schedule has been subjected to the tests and other auditing procedures applied in the examination of the financial schedules above and, in our opinion, is fairly stated in all material respects in relation to the financial schedules referred to in paragraph one.

Respectfully submitted,

*James H. Gillett*

James H. Gillett, CPA  
Deputy Legislative Auditor

December 14, 1984

Approved:

*Robert R. Ringwood*

Robert R. Ringwood  
Legislative Auditor



MONTANA STATE HOSPITAL  
SCHEDULE OF CHANGES IN FUND BALANCE  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCE, July 1, 1982	<u>\$ -0- <sup>3</sup></u>	<u>\$ 1,270</u>
<b>ADDITIONS:</b>		
Fiscal Year 1982-83		
Budgeted Revenue	\$ 2,530,808	\$ 175,174
Nonbudgeted Revenue		67,926
Total Revenue	<u>2,530,808</u>	<u>243,100</u>
Prior Year Revenue Adjustments	320,066	4,667
Support from State of Montana	15,336,658	
Cash Transfers In		1,352,773
Fiscal Year 1983-84		
Budgeted Revenue	1,986,409	369,511
Nonbudgeted Revenue	42,777	5,555
Total Revenue	<u>2,029,186</u>	<u>375,066</u>
Prior Year Revenue Adjustments	(18,074)	(3,599)
Support from State of Montana	15,908,424	
Cash Transfers In		1,145,200
Total Additions	<u>36,107,068</u>	<u>3,117,207</u>
<b>REDUCTIONS:</b>		
Fiscal Year 1982-83		
Budgeted Expenditures	18,260,140	1,538,600 <sub>2</sub>
Nonbudgeted Expenditures		49,018
Total Expenditures	<u>18,260,140</u>	<u>1,587,618</u>
Prior Year Expenditure Adjustments	(72,608)	
Prior Year Withdrawal Adjustments		(2,999) <sup>1</sup>
Fiscal Year 1983-84		
Budgeted Expenditures	17,876,123	1,688,762
Prior Year Expenditure Adjustments	43,413	112
Total Reductions	<u>36,107,068</u>	<u>3,273,493</u>
FUND BALANCE, June 30, 1984	<u>\$ -0- <sup>3</sup></u>	<u>\$ (155,016)</u>

<sup>1</sup> This amount includes (\$7,294) of budgeted and \$4,295 of nonbudgeted adjustments.

<sup>2</sup> These expenditures were recorded in the Bond Proceeds and Insurance Clearing Fund and the Revolving Fund under the old Treasury Fund structure. According to state law, these funds did not require an appropriation.

<sup>3</sup> See Note 3 in the Notes to the Financial Schedules.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 24 through 28.



**MONTANA STATE HOSPITAL**  
**SCHEDULE OF REVENUE - ESTIMATE AND ACTUAL**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984**

	<u>Reimbursements</u>	<u>Sale of Documents, Merchandise, and Property</u>	<u>Rentals, Leases, and Royalties</u>	<u>Miscellaneous</u>	<u>Federal Assistance</u>	<u>Transfers</u>	<u>Total</u>
<u>cal Year 1983-84</u>							
GENERAL FUND							
Estimated Revenue	\$ 1,921,418	\$ 3,200	\$ 101,800	\$ 500			\$ 2,026,918
Actual Revenue	1,878,028	6,204	101,901	276			2,029,186
Collections Over(under) Estimate	<u>\$ (43,390)</u>	<u>\$ 3,004</u>	<u>\$ 101</u>	<u>\$ (224)</u>	<u>\$ 42,777</u> <sup>1</sup>	<u>\$ 42,777</u>	<u>\$ 2,268</u>
SPECIAL REVENUE FUND							
Estimated Revenue	\$ 159,557	\$ 118,275		\$ 64,084			\$ 341,916
Actual Revenue	197,167	118,152	\$ 5,533	53,375	\$ 839 <sup>1</sup>		375,066
Collections Over(under) Estimate	<u>\$ 37,610</u>	<u>\$ (123)</u>	<u>\$ 5,533</u>	<u>\$ (10,709)</u>	<u>\$ 839</u>	<u>\$ 839</u>	<u>\$ 33,150</u>
<u>iscal Year 1982-83</u>							
GENERAL FUND							
Estimated Revenue	\$ 1,990,500	\$ 4,500	\$ 153,485	\$ 100			\$ 2,148,585
Actual Revenue	2,419,314	6,552	100,706	4,236			2,530,808
Collections Over(under) Estimate	<u>\$ 428,814</u>	<u>\$ 2,052</u>	<u>\$ (52,779)</u>	<u>\$ 4,136</u>	<u></u>	<u></u>	<u>\$ 382,223</u>
SPECIAL REVENUE FUND							
Estimated Revenue		\$ 133,050		\$ 37,118			\$ 170,168
Actual Revenue	\$ 66,749	115,031	\$ 1,177	60,143			243,100
Collections Over(under) Estimate	<u>\$ 66,749</u>	<u>\$ (18,019)</u>	<u>\$ 1,177</u>	<u>\$ 23,025</u>	<u></u>	<u></u>	<u>\$ 72,932</u>

This is not transfers, but the change in inventory for fiscal year 1984.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 24 through 28.



**MONTANA STATE HOSPITAL**  
**SCHEDULE OF PROGRAM EXPENDITURES BY FUND**  
**BUDGET AND ACTUAL**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984**

	<u>Fiscal Year 1982-83</u>				<u>Fiscal Year 1983-84</u>	
	<u>Care and Custody</u>	<u>Drug Services</u>	<u>Alcohol Services</u>	<u>Treatment Services</u>	<u>Total</u>	<u>Treatment Services</u>
GENERAL FUND						
Budget	<u>\$4,571,319</u>	<u>\$192,266</u>	<u>\$ 83,377</u>	<u>\$13,725,896</u>	<u>\$18,572,858</u>	<u>\$18,725,270</u>
Actual						
Personal Services	3,562,412	183,653	82,790	11,254,369	15,083,224	15,166,737
Operating Expenses	707,272	2,277		2,210,735	2,920,284	2,695,229
Equipment	6,157			250,474	256,631	14,157
Total Actual	<u>4,275,841</u>	<u>185,930</u>	<u>82,790</u>	<u>13,715,578</u>	<u>18,260,139</u>	<u>17,876,123</u>
Unspent Appropriation Authority	<u>\$ 295,478</u>	<u>\$ 6,336</u>	<u>\$ 587</u>	<u>\$ 10,318</u>	<u>\$ 312,719</u>	<u>\$ 849,147</u>
GENERAL REVENUE FUND						
Budget	<u>\$1,063,596</u>		<u>\$303,123</u>	<u>\$ 198,384</u>	<u>\$1,565,103</u>	<u>\$ 1,730,067</u>
Actual						
Personal Services	903,941		285,918	56,733	1,246,592	1,327,795
Operating Expenses	159,651		17,201	139,357	316,209	351,084
Equipment				24,818	24,818	9,883
Total Actual	<u>1,063,592</u>		<u>303,119</u>	<u>220,908</u>	<u>1,587,619</u>	<u>1,686,762</u>
Unspent Appropriation Authority	<u>\$ 4</u>		<u>\$ 4</u>	<u>\$ (22,524)</u>	<u>\$ (22,516)</u>	<u>\$ 41,305</u>
ALL FUNDS TOTAL						
Budget	<u>\$5,634,915</u>	<u>\$192,266</u>	<u>\$386,500</u>	<u>\$13,924,280</u>	<u>\$20,137,961</u>	<u>\$20,455,337</u>
Actual						
Personal Services	4,466,353	183,653	368,708	11,311,102	16,329,816	16,494,532
Operating Expenses	866,923	2,277	17,201	2,350,092	3,236,493	3,046,313
Equipment	6,157			275,292	281,449	24,040
Total Actual	<u>5,339,433</u>	<u>185,930</u>	<u>385,909</u>	<u>13,936,486</u>	<u>19,847,758</u>	<u>19,564,885</u>
Unspent Appropriation Authority	<u>\$ 295,462</u>	<u>\$ 6,336</u>	<u>\$ 591</u>	<u>\$ (12,206)</u>	<u>\$ 290,203</u>	<u>\$ 890,452</u>

The Montana State Hospital restructured its reporting format to include only one program in fiscal year 1983-84. The amounts reported on the 1983-84 schedule are comparable with the total column on the 1982-83 schedule. See Note 7.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 24 through 28.



**MONTANA STATE HOSPITAL**  
**SCHEOULE OF PROGRAM EXPENDITURES BY OBJECT**  
**FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984**

	Fiscal Year 1982-83				Fiscal Year 1983-84
	Care and Custody	Drug Services	Alcohol Services	Treatment Services	Total
ONAL SERVICES					
aries	\$3,531,650	\$146,108	\$292,932	\$ 9,003,906	\$12,974,596
lly Wages					
loyee Benefits	934,703	37,545	75,776	2,307,196	3,355,220
otal Personal Services	<u>4,466,353</u>	<u>183,653</u>	<u>368,708</u>	<u>11,311,102</u>	<u>16,329,816</u>
ATING EXPENSES					
tracted Services	57,809	152		299,103	357,064
plies & Materials	385,554	1,821	1,500	975,661	1,364,536
unications	36,745	87		93,660	130,492
vel	641	132	12,203	15,858	28,834
t	8,838		2,837	11,414	20,141
ilities	324,639			705,818	1,030,457
air and Maintenance	49,702		361	134,126	184,189
er Expenses	2,995	85	300	8,440	11,820
ds Purchased for Resale				106,012	106,012
otal Operating Expenses	<u>866,923</u>	<u>2,277</u>	<u>17,201</u>	<u>2,350,092</u>	<u>3,236,493</u>
PHENT		6,157		275,292	281,449
AL PROGRAM EXPENDITURES	<u>\$5,339,433</u>	<u>\$185,930</u>	<u>\$385,909</u>	<u>\$13,936,486</u>	<u>\$19,847,758</u>
					<u>\$19,564,885</u>

Montana State Hospital restructured its reporting format to include only one program in fiscal year 1983-84. The amounts reported on 1983-84 schedule are comparable with the total column on the 1982-83 schedule. See Note 7.

se schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the social schedules on pages 24 through 28.



MONTANA STATE HOSPITAL  
SCHEDULE OF ADDITIONS AND DEDUCTIONS TO AGENCY FUND ASSETS  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

Fund Balance, July 1, 1982	<u>\$ 4,089</u>
<b>Additions:</b>	
Nonbudgeted Receipts	9,216
Nonbudgeted Receipt Abatements	<u>(668)</u>
Total Additions	<u>8,548</u>
<b>Deductions:</b>	
Nonbudgeted Disbursements	13,258
Nonbudgeted Disbursement Abatements	<u>(7,499)</u>
Total Deductions	<u>5,759</u>
Fund Balance, June 30, 1983	<u>6,878</u>
<b>Additions:</b>	
Nonbudgeted Receipts	12,156
Nonbudgeted Receipt Abatements	<u>(797)</u>
Nonbudgeted Prior Year Disbursement Adjustments	<u>878</u>
Total Additions	<u>12,237</u>
<b>Deductions:</b>	
Nonbudgeted Disbursements	16,596
Nonbudgeted Disbursement Abatements	<u>(13,919)</u>
Direct Entry to Fund Balance	<u>1,309</u>
Total Deductions	<u>3,986</u>
Fund Balance, June 30, 1984	<u><u>\$15,129</u></u>

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 24 through 28.

## MONTANA STATE HOSPITAL

### NOTES TO FINANCIAL SCHEDULES

June 30, 1983 and June 30, 1984

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies for the Montana State Hospital:

##### Basis of Presentation

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments. Accounts are organized on the basis of funds according to state law. The following fund types are used by the hospital:

General Fund - accounts for all financial resources except those required to be accounted for in other funds.

Special Revenue Fund - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Legislative appropriation is required to spend from this fund.

Agency Fund - accounts for assets held as an agent by the hospital for patients.

##### Basis of Accounting

The Montana State Hospital utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual. Under the modified accrual basis of accounting, a valid obligation exists when the associated liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

#### Vacation and Sick Leave

Employees for the hospital accumulate both vacation and sick leave. Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Montana State Hospital. Expenditures for termination pay currently are absorbed in the annual operating costs of the hospital. At June 30, 1984 the hospital had a liability of \$942,913 for vacation leave and \$358,400 for sick leave.

#### 2. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The hospital's contribution to these plans is shown below.

	<u>Fiscal Year</u> <u>1982-83</u>	<u>Fiscal Year</u> <u>1983-84</u>
PERS	\$801,668	\$824,983
TRS	1,827	2,305

#### 3. GENERAL FUND BALANCE

The General Fund is a Statewide Fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the Statewide General Fund as long as they stay within their appropriation limits. Thus on an agency schedule the beginning and ending fund balance will always be zero.

#### 4. GENERAL FIXED ASSETS

The hospital records assets in detail on the Department of Institutions' Supply Inventory Monitoring System. Asset totals by

category are included on SPAS in the General Fixed Asset Account Group. A schedule of the change in the fixed asset balance from July 1, 1982 to June 30, 1984 follows:

MONTANA STATE HOSPITAL  
SCHEDULE OF CHANGES IN FIXED ASSETS  
FOR THE TWO FISCAL YEARS ENDING JUNE 30, 1984

	<u>Balance at</u> <u>June 30, 1982</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 1984</u>
Land	\$ 36,200			\$ 36,200*
Buildings	13,958,951	\$368,516	\$907,961	13,419,506
Other Improvements	83,174	39,070	83,174	39,070
Equipment	2,494,758	323,712		2,818,470

\* This amount includes approximately \$1 million of Other Improvements to Buildings.

## 5. TRANSFERS

Montana State Hospital reported \$1,352,773 and \$1,145,200 of nonbudgeted transfers in fiscal year 1983 and fiscal year 1984, respectively, in the Special Revenue Fund. Under the Statewide Budgeting and Accounting System (SBAS), several state agencies may record activity in the same accounting entity. During the fiscal year, the activity for each agency is recorded on SBAS separately. At the end of the fiscal year, the activity for all the agencies using the accounting entity is combined on SBAS in a consolidated accounting entity. The transfers mentioned above represent the fiscal year-end transfer of the cash balances in Montana State Hospital's unconsolidated accounting entities to the state's consolidated accounting entities. Montana State Hospital did not report any transfers out in fiscal year 1983 or fiscal year 1984.

## 6. CARE AND MAINTENANCE SERVICE FEES

Care and maintenance service fees are funds received for patient services provided by the hospital. The hospital receives care and maintenance service fees from four sources: Medicare,

Medicaid, private insurance companies, and individuals responsible for the patients. Care and maintenance service fees are deposited in the General Fund and Special Revenue Fund in accordance with section 53-1-413, MCA. These fees are classified as Reimbursements on the financial schedules.

## 7. EXPENDITURES REPORTING

The hospital utilized different programs to report expenditures in the two fiscal years under audit. During fiscal year 1983, the following programs were used: Care and Custody; Drug Services; Alcohol Services; and Treatment Services. During fiscal year 1984 these programs were combined into one program, Treatment Services.

## 8. FUND PLACEMENT

The hospital accounts for private donations in the Agency Fund which would be more appropriately accounted for in the Special Revenue Fund. The following outlines the over and under statements in the Agency and Special Revenue Funds, respectively.

	<u>Fiscal Year</u> <u>1982-83</u>	<u>Fiscal Year</u> <u>1983-84</u>
Revenue	\$6,164	\$11,359
Expenditures	4,615	2,677
Beginning Fund Balance	4,020	5,569
Prior Year Expenditure Adjustment		(878)

## 9. CARE AND MAINTENANCE TRUST ACCOUNT

Under state regulations, income sent to patients from Social Security, insurance companies, and other private sources may be taken from patients' accounts to reimburse the state for the cost of care. In 1976, Montana Legal Services filed a class action suit against the Department of Institutions challenging the legality of removing these funds without a guardian's permission. The Department of Institutions has required the hospital to hold moneys in trust pending resolution of the suit. As of June 30, 1984, the

hospital had accumulated \$1,440,808 in the Care and Maintenance Trust Account. Final resolution of this lawsuit will determine what portion of this money will revert to the patients, and what portion will be deposited to the state General Fund.

#### 10. PATIENT ACCOUNTS

Montana State Hospital administers the funds of patients while they are at the hospital. The patient moneys are deposited in local banks. The schedule below is a compilation of the activity of five separate accounts. These accounts are: 1) Warm Springs care and maintenance trust account; 2) Warm Springs checking account; 3) Warm Springs savings account; 4) Galen checking account; and 5) Galen savings account.

	<u>Care and Maintenance Trust Account</u>	<u>All Other Accounts</u>
Balance, July 1, 1982	\$1,046,802	\$245,427
<u>Fiscal Year 1983</u>		
Net Change - July 1, 1982 -		
December 31, 1982*	109,571	
(Warm Springs Care and Maintenance Trust Account only)		
Receipts	70,396	800,320
Disbursements	<u>16,794</u>	<u>797,405</u>
Balance, June 30, 1983	<u>1,209,975</u>	<u>248,342</u>
<u>Fiscal Year 1984</u>		
Receipts	234,809	839,203
Disbursements	<u>3,976</u>	<u>870,833</u>
Balance, June 30, 1984	<u>\$1,440,808</u>	<u>\$216,712</u>

\*Receipt and disbursement detail was not readily available for the Warm Springs care and maintenance trust account for this time period.

MONTANA STATE HOSPITAL  
SCHEDULE OF FEDERAL GRANT REVENUE AND EXPENDITURES  
FOR TWO FISCAL YEARS ENDING JUNE 30, 1984

<u>Program</u>	<u>Amount Awarded</u>	<u>Grant Revenue</u>	<u>Grant Expenditures</u>
Fiscal Year Ending 6/30/83			
Amounts Received from the U.S. Department of Education through the Office of Public Instruction:			
ESEA Title I 83-32-6009-1433A	\$25,997	\$24,807	\$24,807
ESEA Title IV 83-39-6009-1219B	509	509 <sup>1</sup>	509
School Foods 6009	<u>31,490</u>	<u>34,827<sup>1</sup></u>	<u>31,490</u>
Total	<u><u>\$57,996</u></u>	<u><u>\$60,143</u></u>	<u><u>\$56,806</u></u>

<sup>1</sup>\$3,337 was returned to OPI in July 1984.

Fiscal Year Ending 6/30/84

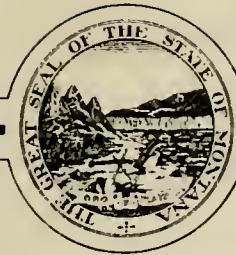
Amounts Received from the  
U.S. Department of Education  
through the Office of Public  
Instruction:

ESEA Title I 84-32-6009-2433	\$30,078	\$29,687	\$29,687
ESEA Title IV 84-39-6009-2219	467	446	446
School Foods 6009	<u>33,531</u>	<u>23,241</u>	<u>23,241</u>
Total	<u><u>\$64,076</u></u>	<u><u>\$53,374</u></u>	<u><u>\$53,374</u></u>



AGENCY RESPONSE





TED SCHWINDEN, GOVERNOR

1539 11TH AVENUE

## STATE OF MONTANA

(406) 444-3930

HELENA, MONTANA 59620

April 17, 1985

RECEIVED

APR 18 1985

MONTANA LEGISLATIVE AUDITOR

Legislative Audit Committee  
 of the Montana State Legislature  
 Office of the Legislative Auditor  
 State Capitol  
 Helena, MT 59620

Gentlemen:

We have reviewed the audit report prepared by the Office of the Legislative Auditor for the Montana State Hospital.

The report provides a very welcome service and is sincerely appreciated.

Our response to the recommendations is attached.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carroll V. South'.

CARROLL V. SOUTH  
 Director

CVS:jb

Attachment

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT OF INSTITUTIONS:

- A. ACCRUE ONLY VALID OBLIGATIONS IN COMPLIANCE WITH STATE POLICY.
- B. NOTIFY ITS ATTACHED AGENCIES OF THE INVALID ACCRUALS.
- C. ENSURE THAT EACH OF THE INSTITUTIONS CORRECTS ITS ACCOUNTING RECORDS.
- D. COMPLY WITH THE APPROPRIATION PROCESS BY REQUESTING THE LEGISLATURE TO GRANT NECESSARY SPENDING AUTHORITY.

WE RECOMMEND THE MONTANA STATE HOSPITAL:

- A. ACCRUE ONLY VALID OBLIGATIONS IN COMPLIANCE WITH STATE POLICY.
- B. NOT SPEND THE AMOUNTS ACCRUED IN FISCAL YEAR 1984 FOR THE SDB CONTRACT.

RESPONSE

- A. CONCUR
- B. B., C. and D. PARTIALLY CONCUR

Language has been included in HB 206 to permit the Department to utilize these accruals for the Data Processing System. If this language remains in the bill and it is signed into law by the Governor, the Department will utilize the accruals. Institutions will be notified how to handle the accruals.

RESPONSE

- A. CONCUR
- B. NOT CONCUR

(See Note on B., C. and D., above)

RECOMMENDATION #2

WE RECOMMEND THE HOSPITAL:

- A. REFUND THE EXCESS PER DIEM CHARGES COLLECTED TO THE PATIENTS AND INSURANCE COMPANIES BASED ON THE CORRECT REVISED PER DIEM RATE CHARGES.
- B. PROVIDE AN INDEPENDENT REVIEW OF THE ANNUAL PER DIEM CALCULATIONS.

RESPONSE

- A. CONCUR

The Department is in the process of calculating the refunds.

- B. CONCUR

The calculations will be reviewed by the Business Services Director

RECOMMENDATION #3

WE RECOMMEND THE HOSPITAL AND DEPARTMENT OF INSTITUTIONS ESTABLISH PROCEDURES TO ENABLE TIMELY UPDATING OF DRUG PRICES ON THE DEPARTMENT'S DRUG TABLE FILE.

RESPONSE

CONCUR

The drug prices are updated at the end of each month by the Reimbursement Bureau. Purchases made at the end of the month will not be updated until the month following because of mail time. This will be corrected with the Department's new computer system.

RECOMMENDATION #4

WE RECOMMEND THE HOSPITAL'S RECONCILIATION OF DRUG MACHINE TRANSACTIONS INCLUDE RESOLUTION OF ANY EXCEPTIONS NOTED.

RESPONSE

CONCUR

Additional staff time will be required to implement this recommendation. The Hospital is currently looking for ways to free staff time from other duties to implement this reconciliation.

RECOMMENDATION #5

WE RECOMMEND THE HOSPITAL LIMIT LEASE AGREEMENTS TO A MAXIMUM OF THREE YEARS TO COMPLY WITH STATE LAW.

RESPONSE

CONCUR

The lease agreement in question has expired and all future agreements will be for a maximum of three years.

RECOMMENDATION #6

WE RECOMMEND THE HOSPITAL RECORD DONATIONS IN THE PROPER FUND IN THE STATE TREASURY.

RESPONSE

CONCUR

House Bill 500 for the 1986-87 Biennium contains spending authority in the State Special Revenue Fund for Donations. This recommendation will be implemented in July, 1985.

RECOMMENDATION #7

WE RECOMMEND THE HOSPITAL REVIEW THE DRUG REGIMEN FOR EACH PATIENT IN ACCORDANCE WITH STATE LAW AND INCLUDE WRITTEN DOCUMENTATION OF THE REVIEW IN THE PATIENT'S FILE.

RESPONSE

CONCUR

The Hospital has taken measures to insure the review is being done and documented in the patient records.

RECOMMENDATION #8

WE RECOMMEND THE DEPARTMENT OF INSTITUTIONS ESTABLISH A DEFINITIVE INTERPRETATION OF THE AVERAGE DAILY POPULATION AT MONTANA STATE HOSPITAL AND INCLUDE IT IN THE DEPARTMENT'S POLICY MANUAL.

RESPONSE

CONCUR

The Department will establish this Policy.

RECOMMENDATION #9

WE RECOMMEND THE HOSPITAL ENSURE HANDICAPPED CHILD COUNTS INCLUDE ONLY THOSE CHILDREN ELIGIBLE UNDER PROGRAM REGULATIONS.

RESPONSE

CONCUR

*This deficiency has been corrected.*





